

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

This document is neither a prospectus nor an invitation to the public to subscribe for shares in Edgars Stores Limited. The circular seeks to give information regarding an offer, by the Company, to registered members of **Edgars Stores Limited**, to subscribe for the issue of future ordinary shares in the share capital of Edgars Stores Limited on the terms and conditions contained herein.



EDGARS STORES LIMITED

(Incorporated in Zimbabwe in 1948, under Company Registration Number 379/1948)

Directors: T.N. Sibanda (Chairman), C. F. Dube, Dr. L. L. Tumba, R. Mlotshwa, L. Masterson (CEO), B. Mpofu (CFO), V. Mpofu, T. N. Ndlovu, M. Hosack.

Registered Address: Cnr 9th and Herbert Chitepo, Bulawayo, Zimbabwe.

CIRCULAR TO SHAREHOLDERS

Concerning

A Renounceable Rights Offer of 274,745,630 ordinary shares of a nominal value of ZWL\$0.01 each, at a Rights Offer price of ZWL\$0.2548 per share, on the basis of five (5) new ordinary shares for every six (6) ordinary shares in issue as at the Record Date.

Lead Advisors



Sponsoring Brokers



Reporting Accountants



Legal Advisors

GILL, GODLONTON & GERRANS
LEGAL PRACTITIONERS

Transfer Secretaries



Underwriters

ANNUNAKI INVESTMENTS

Action Required:

1. If you are in any doubt as to the action you should take, you should immediately seek advice from your stockbroker, bank manager, legal practitioner, accountant or other professional advisor
2. No person has been authorised to give any information, or make any representations in connection with the Renounceable Rights Offer or the Company other than as contained in this Document and, if given or made, such information or representation must not be relied upon as having been authorised by the Company, its Directors or its advisors. The Advisors are acting as advisors to the Company only, in connection with the Renounceable Rights Offer, and will not be responsible to any other person for providing the protection offered to their clients.
3. If you no longer hold any shares in **Edgars Stores Limited**, you should send this document and the accompanying proxy form as soon as possible to the stockbroker, bank or other agent through whom the sale or disposal of your shares was effected for transmission to the purchaser or transferee

CORPORATE INFORMATION AND PROFESSIONAL ADVISORS

Directors	T. N Sibanda L. Masterson B. Mpofu V. Mpofu T. N. Ndlovu C. F. Dube Dr. L. L. Tumba R. Mlotshwa M. Hosack	(Chairman) (Chief Executive Officer) (Chief Finance Officer) (Executive) (Executive) (Non-Executive) (Non-Executive) (Non-Executive) (Non-Executive)
Company Secretary	Vuyo K. Nxumalo	
Registered Office	Edgars Head Office Corner 9 th Avenue/Herbert Chitepo Street Bulawayo	
Financial Advisors	IH Advisory (Private) Limited 4 Fleetwood Road, Alexander Park, Harare	
Legal Practitioners & Advisors	Gill, Godlonton & Gerrans Legal Practitioners 7 th Floor, Beverley Court, 100 Nelson Mandela Avenue, Harare	
Reporting Accountants and Auditors	Ernst & Young Chartered Accountants (Zimbabwe) Derby House Cnr Fife Street/ 6 th Avenue Bulawayo	
Principal Bankers	First Capital Bank Corner Main Street/8 th Avenue P.O. Box 702 Bulawayo	
Transfer Secretaries	Corpserve (Pvt) Ltd 2 nd Floor ZB Centre Corner Kwame Nkrumah Avenue/ 1st Street Harare	
Sponsoring Brokers	IH Securities (Private) Limited 4 Fleetwood Road, Alexander Park, Harare	
Underwriters	Annunaki Investments (Private) Limited 1 st Floor SAZ Building, Northridge Park Borrowdale Harare	

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DEFINITIONS

The following definitions apply throughout this Circular to Shareholders, unless the context requires otherwise. The use of singular words imports the plural and masculine words import both feminine and neutral, and words importing natural persons shall include juristic persons (whether corporate or incorporate and vice versa).

<i>"Articles"</i>	The Articles of Association of Edgars;
<i>"Board" or "Directors"</i>	The Board of Directors of Edgars;
<i>"Circular" or "Circular to Shareholders"</i>	This Circular to Edgars' shareholders dated, Tuesday, 26 May 2020 setting out the terms and conditions of the Rights Offer and incorporating all Letters and Annexure relating thereto;
<i>"Chairman"</i>	The Chairman of the Board of Directors of Edgars;
<i>"Closing date"</i>	The date on which the Rights Offer closes, being 1600 hours on, Tuesday, 14 July 2020;
<i>"Companies Act" or "the Act"</i>	The Companies and Other Business Entities Act [Chapter 24:31] in force in the Republic of Zimbabwe, including all regulation promulgated under that Act;
<i>"Conditions Precedent"</i>	The conditions precedent stated in the Letter from the Chairman contained in Part B of this Circular to Shareholders dated Tuesday, 26 May 2020;
<i>"Corpserve "</i>	Corpserve (Pvt) Limited Secretaries, a company incorporated in Zimbabwe and transfer secretaries for Edgars;
<i>"EGM"</i>	The Extraordinary General Meeting of Edgars shareholders to be held at 1200 hours on Tuesday, 16 June, at LAPF, 1 st Floor, Corner 8 th Avenue & Jason Moyo Street, Bulawayo;
<i>"Ernst & Young" or "EY"</i>	Ernst & Young Chartered Accountants (Zimbabwe) Registered Public Auditors and the Independent Reporting Accountants to Edgars ;
<i>"Edgars " or "the Company"</i>	Edgars Stores Limited, registration number 379/1948, a company incorporated in Zimbabwe in terms of the Companies Act and listed on the Zimbabwe Stock Exchange;
<i>"Gill Godlonton & Gerrans"</i>	Gill Godlonton & Gerrans registered legal practitioners, and legal advisors to Edgars;
<i>"Government"</i>	The Government of Zimbabwe;
<i>"IH Advisory (Private) Limited"</i>	Inter-Horizon Advisory, the financial advisors for the Transaction licensed under the by The Securities Exchange Commission of Zimbabwe under The Securities Act (Chapter 24:25);

DEFINITIONS (CONTINUED)

<i>"IH Securities (Private) Limited"</i>	Inter-Horizon Securities, the sponsoring brokers for the Transaction;
<i>"Non- Resident Shareholders"</i>	Edgars shareholders with non-resident status in terms of the Exchange Control Regulations S.I. 109 of 1996, as amended;
<i>"Nominal Value"</i>	The nominal value of each share as set out in the Articles;
<i>"Ordinary Shares"</i>	The ordinary shares of Edgars;
<i>"Proxy Form"</i>	The form accompanying this Circular, which provides for Edgars shareholders to appoint a proxy to attend the EGM and vote on their behalf on the Resolutions;
<i>"Record Date"</i>	The date on which the register of Edgars shareholders will be closed to determine Edgars shareholders' participation in the Rights Offer, which date is expected to be the close of business on Wednesday, 17 June 2020;
<i>"Renounceable Rights Offer" or "Rights Offer"</i>	The Proposed Renounceable Rights Offer of 274,745,630 Ordinary Shares of a nominal value of ZWL\$0.01 each, at a price of ZWL\$0.2548 per Rights Offer Share, on the basis of five (5) Rights Offer Shares for every six (6) ordinary shares held at the Record Date;
<i>"Resolutions"</i>	The resolutions to be considered and if deemed fit, passed by Edgars shareholders as set out in the Notice convening the EGM, to give effect to the Rights Offer;
<i>"Rights Offer Share"</i>	274,745,630 Ordinary Share of nominal value of ZWL\$0.01 each, to be offered to Edgars shareholders registered as such on the Record Date, and subscribed for by such shareholders pursuant to the Rights Offer;
<i>"Shareholders" or "Shareholder"</i>	Holders or a holder of ordinary shares in the issued share capital of Edgars, as the case may be;
<i>"Subscription Price"</i>	ZWL\$0.2548 per Rights Offer Share at the date of subscription;
<i>"the Transaction"</i>	The proposed renounceable Rights Offer to Edgars shareholders, in terms of this Circular to Shareholders;
<i>"Zimbabwean dollar" or "ZWL\$"</i>	The lawful currency of Zimbabwe;
<i>"Underwriter"</i>	Annunaki Investments (Private) Limited
<i>"ZSE"</i>	Zimbabwe Stock Exchange Limited

FORWARD LOOKING STATEMENTS

The Circular includes certain statements, estimates and forecasts, which are forward looking and are based on the current expectations of Edgars and the Directors. The forward-looking statements are **subject to certain risks, uncertainties and other factors some of which are beyond the control of Edgars and the Directors, difficult to predict and could cause actual results to differ materially from those in the projections and forecasts.** In making their considerations, Shareholders are advised to make their own independent assessment and, in this regard, to consult their own professional advisers.

PART A: SALIENT FEATURES OF THE RIGHTS OFFER

This summary presents the salient information in relation to the Renounceable Rights Offer, the detailed terms and conditions of which are more fully set out in this Circular. The Circular should accordingly be read in its entirety for a full appreciation of the rationale for and the implications of the Renounceable Rights Offer, as well as the action required to be taken by Shareholders.

A.1 DETAILS OF THE RIGHTS OFFER

The Board is proposing a Renounceable Rights Offer to recapitalize Edgars by way of a rights offer of 274,745,630 (Two hundred and seventy- four million, seven hundred and forty five thousand, six hundred and thirty) ordinary shares of a nominal value of ZWL\$0.01 (1 ZWL Cent) each, at a **Rights Offer price of ZWL\$0.2548 (25.48 ZWL Cents) per share**, on the basis of **five (5) new ordinary shares for every six (6) ordinary shares in issue** as at the Record Date. The Rights Offer shares represent 45.66% of the Company's enlarged ordinary share capital post the proposed Rights Offer.

A.2 EXPECTED TIMETABLE FOR THE RIGHTS OFFER

Note: The dates set out herein are expected dates and may change. Any significant changes to these dates will be announced as per Edgars usual shareholder communication channels either electronically or by publication in the national press. The announcement will be made through a publication in at least one daily newspaper circulating in Zimbabwe.

Circular posted to Edgars Shareholders & Notice of EGM Published	Tuesday, 26 May 2020
Register Closes for voting at EGM at 1600 hours	Friday, 12 June 2020
Edgars share register re-opens	Monday, 15 June 2020
EGM of Edgars Shareholders at 1200 hours	Tuesday, 16 June 2020
Announcement & publication of EGM results	Wednesday, 17 June 2020
Last day to register for the Rights Offer	Friday, 19 June 2020
Mailing of Letters of Allocation to Shareholders	Tuesday, 23 June 2020
Rights Offer opens at 0900 hours	Tuesday, 23 June 2020
Last day of dealing in letters of allocation at 1200 hours	Thursday, 09 July 2020
Latest time for splitting letters of allocation at 1200 hours	Thursday, 09 July 2020
Last day of receiving postal letters	Friday, 17 July 2020
Rights Offer closes at 1600 hours	Friday, 17 July 2020
Allocation of Rights Offer Shares	Wednesday, 22 July 2020
Results of Rights Offer published and listing of Rights Offer Shares	Friday, 24 July 2020
Rights Offer share certificates mailed	Friday, 24 July 2020
New shares listed	Monday, 27 July 2020

PART A: SALIENT FEATURES OF THE RIGHTS OFFER (CONTINUED)

A.3 TERMS OF THE RIGHTS OFFER

Subscription Price per Rights Offer Share	ZWL\$ 0.2548
Number of Issued Ordinary Shares pre the Rights Offer	326,991,169
Proposed number of Rights Offer Shares	274,745,630
Number of Issued Ordinary Shares post the Rights Offer	601,736,799
Percentage of enlarged Ordinary Share Capital available under the Rights Offer	45.66%
Gross Rights Offer proceeds	ZWL \$70,000,000

Notes:

- The Rights Offer Shares will, following the Renounceable Rights Offer, rank pari passu in all respect with all other shares, including the right to receive all dividends or other distributions thereafter declared, made or paid on the issued ordinary share capital of Edgars

A.4 EDGARS SHARE CAPITAL STRUCTURE PRE AND POST THE RIGHTS OFFER

As at Thursday, 21 May 2020, being the last practicable date before the publication of this Circular to Shareholders dated Tuesday, 26 May 2020, the capital structure of the Company was as follows:

Share Capital Structure Pre- Rights Offer	ZWL\$
Authorised: 400,000,000 ordinary shares of nominal value ZWL\$0.01 each	4,000,000
Issued and Fully Paid Up: 326,991,169 ordinary shares of nominal value ZWL\$0.01 each	3,269,911
Shares under the control of directors: 73,008,831 ordinary shares of nominal value ZWL\$ 0.01 each	730,088
Share Capital Structure Post Rights Offer	
Authorised: 700,000,000 ordinary shares of nominal value ZWL\$0.01 each	7,000,000
Issued and Fully Paid up: 601,736,799 ordinary shares of nominal value ZWL\$ 0.01 each	6,017,368
Shares under the control of directors: 98,263,201 ordinary shares of nominal value ZWL\$ 0.01 each	982,632

Notes:

- At the EGM to be held on Tuesday, 16 June, the Shareholders will consider, and if deemed fit:
 - Approve a Special Resolution that the authorised share capital of the Company be increased from ZWL\$4,000,000 (four million dollars) comprising of 400,000,000 (Four Hundred Million) ordinary shares of a nominal value ZWL\$0.01 each to ZWL\$7,000,000 (Seven million dollars) comprising of 700,000,000 (Seven Hundred Million) ordinary shares of a nominal value ZWL\$0.01 each. This resolution seeks to ensure that there are sufficient shares to give effect to the Rights Offer.
 - Approve a Special Resolution redenominating the share capital of Edgars from USD (United States Dollars) to ZWL\$ (Zimbabwe Dollars). Following the re-introduction of the Zimbabwe Dollar as the sole legal tender in Zimbabwe through Statutory Instrument 142/2019, gazetted on the 24th June 2019, every registered company is required to redenominate its share capital currently stated in USD, to ZWL.

PART B: CHAIRMAN'S LETTER



EDGARS STORES LIMITED

(Incorporated in Zimbabwe in 1948, under Company Registration Number 379/1948)

Directors: T. N. Sibanda (Chairman), C. F. Dube, Dr. L. L. Tumba, R. Mlotshwa, L. Masterson (CEO), B. Mpofu (CFO), V. Mpofu, T. N. Ndlovu, M. Hosack.

Registered Address: Cnr 9th and Herbert Chitepo, Bulawayo, Zimbabwe.

Dear Shareholder

BACKGROUND

Recently the Zimbabwean economy has been facing significant economic challenges, highlighted by a rapidly depreciating exchange rate resulting in high inflation accompanied by a decline in economic growth in 2019. This has been exacerbated in recent times by the recent COVID 19 pandemic which has seen Edgars retail outlets closed for period of in excess of 4 weeks in line with the government stipulated lockdown.

The purpose of the rights offer is to further support Edgars expansion activities, while also augmenting working capital hence strengthening the group's balance sheet. The Board has deemed it fit to support an equity raise and inject additional capital into the business so as to:

- i. Intensify productivity of existing footprint;
- ii. Widen and deepen product portfolio offered by the Group's credit and financial services;
- iii. Ensure sufficient depth and breadth of inventories;
- iv. Productivity improvements through digitization leveraging on
 - a. Data science & analytics for customer retention and increased market share;
 - b. Introduction of online shopping;
 - c. Customer facing digital interactive platforms; and
 - d. Enhanced planning tools and manufacturing capacity
- v. Refurbishment initiatives at stores; and
- vi. Extend geographical footprint through the commissioning of new sites.
- vii. Working capital

The Board of Directors of Edgars has resolved that, subject to the approval of Shareholders, the Company be authorized to raise US\$70,000,000 for the above mentioned initiatives.

PROPOSED TRANSACTION

Pursuant to the need for Edgars to capitalize its operations the directors propose a renounceable rights offer of 274,745,630 or "Rights Offer" Ordinary Shares of a nominal value of ZWL\$0.01 each, at a price of ZWL\$0.2548 per Rights Offer Share, on the basis of five (5) Rights Offer Shares for every six (6) ordinary shares held at the proposed Record Date;

The authorisation to proceed with the Renounceable Rights Offer as well as to increase the authorised share capital of the Company will be sought by the Board from Shareholders at the EGM to be held on Tuesday, 16 June, 2020.

Assuming approval is forthcoming at the EGM, Letters of Allocation in respect to the Rights Offer Shares will be posted to Shareholders from Tuesday, 23 June 2020. It is expected that the Rights Offer Shares will be listed on the ZSE with effect from Monday ,27 July 2020. The purpose of this Circular is accordingly, to furnish Shareholders with the requisite statutory and regulatory information with respect to the Renounceable Rights Offer, and to detail the actions to be taken by each Shareholder in respect of the proposed Transaction.

PART B: CHAIRMAN'S LETTER (CONTINUED)

FINANCIAL OVERVIEW

The Group's turnover decreased by 5%, from ZWL\$ 629m in the previous year to ZWL\$ 595m in the current year, despite a 23% decrease in units sold. Revenue performance for the last quarter, usually our peak turnover period, performed below expectation mainly due to subdued consumer spending in general and challenges with mobile payment platforms.

Profit after tax for the period was ZWL\$17.9m, an 81% decrease from ZWL\$91.8m in the same period last year. The business continues to prioritise cost containment.

The Group closed the year in an overstock provision but this was fresh stock and placed the Group at an advantage for first quarter trading.

RETAIL OPERATIONS

Edgars Chain

The chain recorded turnover of ZWL\$390m (2018: ZWL\$368m) out of 26 stores (2018: 25) an increase of 6%. Units sold for the year were 1.399m (2018: 1.736m), a decrease of 19.4%. The chain's profit to sales ratio declined to 24.1% from 27.3% in 2018. Edgars Kadoma was re-opened at a new site in November 2019, having burnt down last year.

Jet Chain

Total sales were ZWL\$218.7m (2018: ZWL\$245.2m) out of 27 stores (2018: 25) a decrease of 10.8%. Two new stores were opened in Banket and Chegutu. Units sold for the year were 1.797m (2018: 2.483m), a decrease of 27.6%. The Chain's profit to sales ratio declined to 19.6% from 22.8% in 2018.

Credit Management

The quality of the Group's debtors book is good with 3.0% of the book over 30 days due and 75.5% being current as at end of the year. Total active accounts were 150 817 (2018: 151 522).

Edgars Chain debtors were ZWL\$73.7m (2018: ZWL\$123m) after an allowance for credit losses of ZWL\$0.2m (2018: ZWL\$3.1m). Bad debts written off net of recoveries for the period averaged 0.6% (2018: 1.8%) of lagged credit sales, and 0.1 % of lagged debtors (2018: 0.1%). Edgars chain active accounts as at end of December were 98 795 (2018: 102 159).

Jet Chain debtors were at ZWL\$20.4m (2018: ZWL\$39.1m) after an allowance for credit losses of ZWL\$0.1m (2018: ZWL\$3.2m). Bad debts written off net of recoveries for the period equated to 0.8% (2018: 1.4%) of lagged credit sales, and 0.2% of lagged debtors (2018: 0.5%). Jet Chain active accounts as at December 2019 were 51 619 (2018: 49 548).

Manufacturing

The factory made an operating profit of ZWL\$12.6m (2018: ZWL\$1.8m loss). 6% (2018: 8%) of sales were exports while 94% (2018: 92%) were made to the Edgars and Jet chains.

Microfinance

The microfinance business revenue declined marginally to ZWL\$12.4m from ZWL\$12.8m, making a profit after tax of ZWL\$924k (2018: ZWL\$5.2m). Loans to customers declined to ZWL\$6.5m (2018: ZWL\$27.1m) after an allowance for credit losses of ZWL\$0.05m (2018: ZWL\$0.5m). The quality of the loan book was good with 3.5% of the book over 30 day due and 83.5% being current as at end of December 2019. Total active loan accounts as at the end of December 2019 were 11 314 (2018: 8 111). Bad debts written off net of recoveries for the period averaged 0.3 % of loan book (2018: 0.3%).

Financing and Cashflow

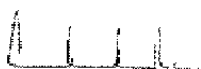
Gearing was at 0.20 (2018:0.22). The Group had US\$ 219,036 in foreign liabilities as at 5 January 2020.

DIVIDEND

Owing to cash flow constraints and the need to channel funds to growth strategies, your Company will not declare a dividend this year.

APPRECIATION

I am grateful to Board colleagues, management and staff for their dedication and also to our customers for their loyalty as well as our landlords, bankers and suppliers for their continued support.



T N SIBANDA
CHAIRMAN

PART B: CHAIRMAN'S LETTER (CONTINUED)

B.1 COMPANY PROFILE

1.1 Background

Edgars Stores Limited is a limited company incorporated and domiciled in Zimbabwe whose shares are publicly traded. Their core business is the retailing of clothing, footwear, textiles and accessories. Through their credit and cash stores, they aim to supply their customers with value for money by providing quality merchandise for the family at competitive prices. As at April 2020 the group had a total of 53 stores nationwide, with over 38,966 sq. metres of store space. Their business is retailing through credit and cash stores. Edgars is a well-known brand in the clothing and footwear retail business in Zimbabwe.

1.2 Overview of Operations

The Group is organised into five strategic business units. An overview of Edgars activities, by operating subsidiary, is detailed below.

EDGARS

Edgars is the core operating and flagship company for the group. The core business of Edgars is the retailing of clothing, footwear, textiles and accessories.

Edgars Retailing

Edgars retail provides clothing to consumers through two distinct brands, namely Edgars and Jet. The Edgars brand provides quality, fashion and convenient shopping at competitive prices to the whole family in the middle to upper-income groups. The brand offers fashion merchandise, with no compromise on quality, at competitive prices for the whole family. It also offers competitive credit to our customers. On the other hand, Jet seeks to provide quality, value and commercial fashion with compelling opening price points at very competitive prices to the whole family in the lower to middle income group.

CAROUSEL

Carousel is the manufacturing business unit of Edgars. It supplies the retail business and other retailers with a wide range of denim, ladies', children's and gents' casual wear.

CLUB PLUS PRIVATE LIMITED

Club Plus (Private) Limited is the Group's micro finance business unit. Club Plus offers micro finance loans to the lower to middle income customer group at competitive interest rates.

FINANCIAL SERVICES

Manage the retail debtors' book and insurance products including the Hospital Cash Plan. The Edgars Club Zimbabwe is a loyalty program designed to benefit Edgars stores customers.

PART B: CHAIRMAN'S LETTER (CONTINUED)

B.2 RATIONALE FOR THE TRANSACTION

In order to maintain the sustainable growth and profitability of the businesses going forward, the Board has decided to raise and inject additional capital into the business so as to:

- i. Intensify productivity of existing footprint;
- ii. Widen and deepen product portfolio offered by the Group's credit and financial services;
- iii. Ensure sufficient depth and breadth of inventories;
- iv. Productivity improvements through digitization leveraging on
 - a. Data science & analytics for customer retention and increased market share;
 - b. Introduction of online shopping;
 - c. Customer facing digital interactive platforms; and
 - d. Enhanced planning tools and manufacturing capacity
- v. Refurbishment initiatives at stores; and
- vi. Extend geographical footprint through the commissioning of new sites.

B.3 APPLICATION OF FUNDS RAISED THROUGH THE RENOUNCEABLE RIGHTS OFFER

Set out below is a breakdown of the application of the funds expected to be raised through the proposed Renounceable Rights Offer.

	ZWL
Gross proceeds of the Renounceable Rights Offer	\$70,000,000
Estimated expenses of the Renounceable Rights Offer	\$3,690,000
Net proceeds of the Renounceable Rights Offer	\$66,310,000
Application of Funds by Shareholders:	
Working capital and capital expenditure	\$66,310,000
Total	\$66,310,000

B.4 CONDITIONS PRECEDENT

The Renounceable Rights Offer contemplated herein is subject to the following Conditions Precedent:

- Approval by the members of Edgars of the Resolutions at the EGM to be held on Tuesday, 16 June, in terms of the EGM notice set out in Annexure (IV) of this Circular;
- Approval of the Transaction by the Exchange Control department at the Reserve Bank of Zimbabwe for the issuance of shares to non-resident shareholders.

B.5 CONSEQUENCES OF NOT IMPLEMENTING THE RENOUNCEABLE RIGHTS OFFER

If the Renounceable Rights Offer is not implemented as outlined in this Circular, Edgars will be unable to effectively compete in the market. The company will face significant capital expenditure constraints, high finance costs and unmet working capital requirements, in detail:

- The Company will be limited in capacity to write new business under Edgars Financial Services;
- The company will continue to experience operating inefficiencies from inefficient and unproductive methods; and
- The Company will continue to have higher than desired leverage, which will negatively affect its profitability.

PART B: CHAIRMAN'S LETTER (CONTINUED)

B.6 RELATED PARTIES

The Board has engaged existing shareholders represented by Bellfield Limited to underwrite the Renounceable Rights Offer. Annunaki Investments (Pvt) Limited, the Underwriter, is a Zimbabwean registered 100% owned subsidiary of SSCG Africa Holdings (SSCG) which in turn is the 100% effective beneficial owner of Bellfield Limited which has an effective 40.63% interest in Edgars. SSCG on acquiring the initial equity investment in Edgars which was in excess of 35% of the total issued share capital has through prior communication with the ZSE as required by Section 113 (4) of SI134 of 2019 committed to regularize the shareholding below 35% in 3 year timeframe. The underwriting fees are not greater than the current market rates payable by independent underwriters, and constitute 2% of the rights issue amount. In addition the Underwriter may elect for the consideration to be payable in shares, at the rights offer price. The approval of the shareholders for the Underwriter to exercise the option to be paid in shares will be sought at the EGM. The Directors have carried out a due and careful enquiry of the Underwriter and are satisfied that it can meet its commitments in terms of the Underwriting Agreement, and that it has entered into no sub-underwriting arrangements

B.7 EFFECTS OF THE RIGHTS OFFER

7.1 Share Capital

7.1.1 Share Capital before the Rights Offer

Set out below is an analysis of the authorised and issued share capital of Edgars, before the proposed Renounceable Rights Offer at the proposed ZWL\$ nominal values:

	Number of Edgars Shares	Nominal Value ZWL\$
Authorised share capital: Ordinary shares of a nominal value of ZWL\$0.01 each	400,000,000	ZWL\$0.01
Issued and fully paid share capital: Ordinary shares of a nominal value of ZWL\$0.01 each	326,991,169	ZWL\$0.01
Authorised but unissued Ordinary Shares currently under the control of the Directors	73,008,831	ZWL\$0.01

7.1.2 Share Capital after the Rights Offer

	Number of Edgars Shares	Nominal Value ZWL\$
Authorised share capital: Ordinary shares of a nominal value of ZWL\$0.01 each	700,000,000	\$0.01
Issued and fully paid share capital: Ordinary shares of a nominal value of ZWL\$0.01 each	601,736,799	\$0.01
Authorised but unissued Ordinary Shares currently under the control of the Directors	98,263,201	\$0.01

PART B: CHAIRMAN'S LETTER (CONTINUED)

B7 EFFECTS OF THE RIGHTS OFFER (continued)

7.2 Shareholders

7.2.1 Current Shareholding

The top twenty Shareholders control 89.87% of the Company's share capital. The single largest Shareholder holds 40.63% of the Company's issued share capital. As at Thursday, 21 May 2020, (being the last practicable date before the publication of the Circular), the top 20 Edgars Shareholders were as follows:

Shareholder	Shares	% Shareholding
BELLFIELD LIMITED	132,859,743	40.63
ZIMEDGROUP EMPLOYEE TRUST	35,950,445	10.99
SCB NOMINEES 033663900002	25,383,895	7.76
STANBIC NOMINEES (PVT) LTD	20,458,255	6.26
OLD MUTUAL LIFE ASS CO ZIM LTD	16,334,959	5.00
Z.M.D INVESTMENTS (PVT) LTD	14,895,361	4.56
MEGA MARKET (PVT) LTD	10,435,114	3.19
OMZIL STRA SHREHLDER TRAP FUND	8,008,713	2.45
LHG MALTA HOLDINGS LIMITED	5,725,222	1.75
OLD MUTUAL ZIMBABWE LIMITED	5,223,257	1.60
NATIONAL SOCIAL SECURITY AUTHORITY (NPS)	3,525,438	1.08
LESLEY WILLIAMS	2,881,500	0.88
ANGLO AMERICAN ASS CO PF-IMARA	2,834,256	0.87
LOCAL AUTHORITIES PENSION FUND	2,410,455	0.74
NATIONAL FOODS P F-IMARA	2,211,291	0.68
LINDA MASTERSON	2,159,476	0.66
SAGIT FINANCE COMPANY (PVT) LTD	1,805,585	0.55
SETMA (PRIVATE) LIMITED	1,495,491	0.46
ABC ASSET MGT PVT LTD-DOMESTIC	1,333,014	0.41
PSMAS PENSION FUND-INVESCI	1,294,694	0.40
Selected Shares	297,226,164	90.90
Non - Selected Shares	29,765,005	9.10
Total	326,991,169	100.00

PART B: CHAIRMAN'S LETTER (CONTINUED)

B.7 EFFECTS OF THE RIGHTS OFFER (continued)

7.2.2 Impact of the Renounceable Rights Offer on the Company's shareholding

Given approval of the proposed Renounceable Rights Offer at the EGM and assuming that all Shareholders follow their rights, there will be no change in the current percentage shareholding in the share capital of the Company.

The table below shows the resulting shareholding if other shareholders do not follow their rights:

Shareholder	Current shareholding		New issue of shares	Shareholding post rights offer		Dilutive effect
	Shares	% Shareholding		Shares	% Shareholding	
BELFIELD LIMITED	132,859,743	40.63%	274,745,630	407,605,373	67.74%	27.11%
ZIMEDGROUP EMPLOYEE TRUST	35,950,445	10.99%	-	35,950,445	5.97%	-5.02%
SCB NOMINEES 033663900002	25,383,895	7.76%	-	25,383,895	4.22%	-3.54%
STANBIC NOMINEES (PVT) LTD	20,458,255	6.26%	-	20,458,255	3.40%	-2.86%
OLD MUTUAL LIFE ASS CO ZIM LTD	16,334,959	5.00%	-	16,334,959	2.71%	-2.28%
Z.M.D INVESTMENTS (PVT) LTD	14,895,361	4.56%	-	14,895,361	2.48%	-2.08%
MEGA MARKET (PVT) LTD	10,435,114	3.19%	-	10,435,114	1.73%	-1.46%
OMZIL STRA SHREHLDER TRAP FUND	8,008,713	2.45%	-	8,008,713	1.33%	-1.12%
LHG MALTA HOLDINGS LIMITED	5,725,222	1.75%	-	5,725,222	0.95%	-0.80%
OLD MUTUAL ZIMBABWE LIMITED	5,223,257	1.60%	-	5,223,257	0.87%	-0.73%
NATIONAL SOCIAL SECURITY AUTHORITY (NPS)	3,525,438	1.08%	-	3,525,438	0.59%	-0.49%
LESLEY WILLIAMS	2,881,500	0.88%	-	2,881,500	0.48%	-0.40%
ANGLO AMERICAN ASS CO PF-IMARA	2,834,256	0.87%	-	2,834,256	0.47%	-0.40%
LOCAL AUTHORITIES PENSION FUND	2,410,455	0.74%	-	2,410,455	0.40%	-0.34%
NATIONAL FOODS P F-IMARA	2,211,291	0.68%	-	2,211,291	0.37%	-0.31%
LINDA MASTERSON	2,159,476	0.66%	-	2,159,476	0.36%	-0.30%
SAGIT FINANCE COMPANY (PVT) LTD	1,805,585	0.55%	-	1,805,585	0.30%	-0.25%
SETMA (PRIVATE) LIMITED	1,495,491	0.46%	-	1,495,491	0.25%	-0.21%
ABC ASSET MGT PVT LTD-DOMESTIC	1,333,014	0.41%	-	1,333,014	0.22%	-0.19%
PSMAS PENSION FUND-INVESCI	1,294,694	0.40%	-	1,294,694	0.22%	-0.18%
Total	297,226,164	89.87%	-	571,971,794	95.05%	-
Remaining	29,765,005	10.13%	-	29,765,005	4.95%	-5.18%
Total	326,991,169	100.00%	274,745,630	601,736,799	100.00%	-

Annexure (I) contains a Table of Entitlements for Edgars Shareholders with respect to the Renounceable Rights Offer and the table below shows the shareholding post the right issue.

PART B: CHAIRMAN'S LETTER (CONTINUED)

B.7 EFFECTS OF THE RIGHTS OFFER (continued)

7.3 DIRECTORS

The Directors intend to vote in favour of the Resolutions with respect to their own shareholdings. Full details concerning the current Directors of Edgars are more fully set out under Paragraph B10 of this Circular.

7.4 MANAGEMENT

The Executive Directors, Non-Executive Directors and senior management will continue to hold approximately 0.79% of the Company's issued share capital after the Renounceable Rights Offer if they follow their rights.

B.8 DIVIDEND POLICY

In accordance with Articles 112 to 122 of the Company's Articles of Association, the Company may declare dividends in a general meeting, but no dividend shall be payable otherwise than out of the profits of the Company. The dividend amount shall not exceed the amount recommended by the Directors. The Directors may, if they deem fit and if in their opinion the position of the Company justifies such payment, from time to time declare and pay an interim dividend.

B.9 DIRECTORATE

The Board consists of the following members:

NAME	DESIGNATION
T. N. Sibanda	Chairman
L. Masterson	Chief Executive Officer
B. Mpofu	Chief Finance Officer
V. Mpofu	Executive Director
T. N. Ndlovu	Executive Director
C. F. Dube	Non-Executive Director
Dr. L. L. Tumba	Non-Executive Director
R. Mlotshwa	Non-Executive Director
M. Hosack	Non-Executive Director

B.10 DIRECTORS' INTERESTS

As at Thursday, 21 May 2020 (being the last practicable date before the publication of this Circular), the direct and indirect interests of the Directors of Edgars and their immediate families in Edgars shares were as follows:

Name	NUMBER OF SHARES	
	Direct Holdings	Indirect Holdings
T. N. Sibanda	Nil	100
L. Masterson	2,160,638	100
B. Mpofu	Nil	Nil
C. F. Dube	Nil	100
Dr. L. L. Tumba	Nil	100
R. Mlotshwa	4,000	100
V. Mpofu	5,000	100
T. N. Ndlovu	Nil	Nil
M. Hosack	Nil	Nil
TOTAL	2,169,638	600

PART B: CHAIRMAN'S LETTER (CONTINUED)

B.11 DIRECTORS' SERVICE CONTRACTS AND REMUNERATION

With regard to the Directors of Edgars, there will be no changes to their service contracts and remuneration as a result of the Renounceable Rights Offer. Non-Executive Directors are remunerated based on a pre-agreed rate defined for each committee paid per meeting. The Remuneration Committee approves a broad remuneration strategy for the Group and ensures that directors and senior executives are adequately remunerated for their contribution to operating and financial performance.

B.12 CORPORATE GOVERNANCE

12. Board of Directors

The Board of Directors consists of a Non-Executive Chairman, four Executive Directors and four Non-Executive directors. The Chairpersons of the various committees are all Non-Executive Directors. The Board meets regularly to review financial results, dictate policy, formulate overall strategy and approve the budgets. They have introduced structures of corporate governance in terms of which certain functions and responsibilities have been delegated to the board committees indicated below. Their terms of reference and composition are regularly reviewed. The Board meetings are held quarterly. The Board is supported by various Committees in executing its responsibilities. The main Committees meet four times a year to assess, review and provide guidance to management on both operational and policy issues.

12.2 Audit and Risk Committee

The Audit and Risk Committee liaises with the Group's external auditors. The external auditors have unrestricted access to the audit and risk committee. The annual, half yearly statements and financial reporting matters are reviewed by the committee at appropriate intervals. The Audit and Risk Committee meets 3 times per year.

12.3 Executive Committee

The Executive Committee sits between board meetings to deliberate and consider detailed operational issues of the Group which includes strategy implementation. The Executive Committee meets on a monthly basis.

12.4 Remuneration and Nomination Committee

This Committee's function is to approve a broad remuneration strategy for the Group and to ensure that directors and senior executives are adequately remunerated for their contribution to operating and financial performance, in terms of base pay as well as short and long-term incentives.

B.13 LITIGATION

The Group does not have any material litigation cases at present.

PART B: CHAIRMAN'S LETTER (CONTINUED)

B.14 MATERIAL CHANGES

The Directors confirm that between 31 December 2019 and 21 May 2020 (being the date of the latest available published abridged financial statements of Edgars) and the date of this Circular, there have been no material changes in Edgars' assets and liabilities.

B.15 STATEMENT OF INDEBTEDNESS

The group currently carries borrowings with the following counterparties:

The Group currently has secured long term borrowings totaling to ZWL\$48,056,559 at an average annualized rate of 31.73% as at 5 January 2020. The Group overdrafts aggregate ZWL\$9,315,409 translating to total borrowing of ZWL\$57,371,968.

Other short-term borrowings

Post Balance sheet date the Group issued \$30,250,000 Commercial paper with a 90 day tenor with an option to rollover for a further 90 days. The instrument has an interest rate of 35% per annum.

Annuanaki Investments lent Edgars \$30,000,000 with an interest rate of 35% per annum, with a maturity date of end of June 2020

B.16 GOING CONCERN ASSUMPTION

The Board believes that post the Renounceable Rights Offer the company will continue to operate as a sustainable going concern.

B.17 EXPERTS' CONSENTS

Ernst & Young, Gill Godlonton & Gerrans, Corpserve (Private) Limited, IH Advisory (Private) Limited and IH Securities (Private) Limited have given, as at Thursday, 21 May 2020 (being the last practicable date before the Publication of this Circular) and have not withdrawn the consents to the issue of this Circular with the inclusion of their names and reports in the forms and contexts in which they appear.

B.18 MATERIAL CONTRACTS

Other than in the course of normal business, no material contracts have been entered into by Edgars in the past twelve months.

B.19 MATERIAL CHANGES AND COMMISSIONS

There have been no material adverse changes in Edgars' financial position, and no commissions, brokerages, discounts or other special terms have been granted by Edgars in connection with the issue or sale of any of its share capital.

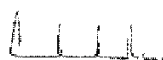
B.20 DOCUMENTS AVAILABLE FOR INSPECTION

The following documents or copies thereof will be available for inspection by Edgars Shareholders at the registered office of Edgars, Corner 9th Avenue and Herbert Chitepo Street, Bulawayo and at the office of Transfer Secretaries during normal business hours for the duration of the Renounceable Rights Offer:

- The Memorandum and Articles of Association of Edgars;
- The Audited Financial Statements of Edgars as at 52 weeks to the 6th of January 2020 and Audited Financials for the periods 2017 to 2019;
- The written experts' consents referred to in Paragraph B.18 of this Circular;
- The Underwriting Agreement;
- The Underwriter's comfort letter;
- The original signed copy of this Circular to Shareholders; and
- The full Reporting Accountant's Report.

On behalf of the Board, I implore you to take your Company's interest into account and trust that you will participate in this recapitalisation.

Yours Sincerely,



CHAIRMAN

PART C: DIRECTORS' RESPONSIBILITY STATEMENT

The Directors of Edgars , whose names appear hereunder, collectively and individually accept full responsibility for the accuracy of the information contained in this Circular and further confirm that they have made all reasonable enquiries and declare that to the best of their knowledge and belief, there are no facts, the omission of which would make any statement in this Circular false or misleading.

The Directors also confirm that this Circular includes all such information within their knowledge (or which it would be reasonable for them to obtain by making enquiries) that investors and their professional advisors would require and reasonably expect to find for the purposes of making informed assessment of the assets and liabilities, financial position, profits and losses and prospects of Edgars in order to vote at the EGM. The proposal on the Renounceable Rights Offer was placed for the Board's consideration at a meeting held on Thursday, 30 April 2020. Following that Meeting, the Directors unanimously undertook, as they hereby do, to recommend that all Edgars shareholders exercise their rights in terms of the Renounceable Rights Offer. The Directors confirm that they have carried out the necessary due and careful enquiry to confirm that the underwriter can meet its commitment in terms of the offer.

Signed at Bulawayo, by the following, being Directors of Edgars, on Thursday, 21 May 2020.

NAME	DESIGNATION	SIGNATURE
T. N. Sibanda	Chairman	[Signed on original]
L. Masterson	Chief Executive Officer	[Signed on original]
B. Mpofu	Chief Finance Officer	[Signed on original]
V. Mpofu	Executive Director	[Signed on original]
T. N. Ndlovu	Executive Director	[Signed on original]
C. F. Dube	Non-Executive Director	[Signed on original]
Dr. L. L. Tumba	Non-Executive Director	[Signed on original]
R. Mlotshwa	Non-Executive Director	[Signed on original]
M. Hosack	Non-Executive Director	[Signed on original]

PART D: DETAILS OF THE RENOUNCEABLE RIGHTS OFFER

D.1 TERMS OF THE RENOUNCEABLE RIGHTS OFFER

274,745,630 ordinary shares in the issued share capital of Edgars are hereby offered to Edgars Shareholders, registered as at the close of business on Friday, 12 June 2020 being the Record Date, for subscription in cash at a price of ZWL\$0.2548 each, payable in full on acceptance, in the ratio of five (5) new ordinary shares for six (6) shares held.

Fractions of Rights Offer Shares arising will be rounded to the nearest whole ordinary share.

The new ordinary shares being offered to members will rank pari passu with the existing ordinary shares of the Company from the date of their issue.

Renounceable Letter of Allocation

The renounceable Letter of Allocation to be posted to Shareholders from Tuesday, 23 June 2020 sets out the entitlement of the person to whom this Circular is addressed.

D.2 OPENING AND CLOSING OF THE RENOUNCEABLE RIGHTS OFFER

The Renounceable Rights Offer opens at 0900 hours on Tuesday, 23 June and will close at 1600 hours on Friday, 17 July 2020.

Postal acceptances received after 1600 hours on Friday, 17 July 2020 will not be accepted.

The last day for dealing in Letters of Allocation will be Thursday, 09 July 2020 at 1200 hours.

D.3 ALTERNATIVE ACTION TO BE TAKEN BY THE MEMBERS

3.1 Acceptance

Shareholders who wish to accept the Renounceable Rights Offer must return the renounceable Letter of Allocation in accordance with the instructions contained therein, together with payment as required in section D5 of this Circular to the following address:

*Corpserve (Pvt) Limited
2nd Floor ZB Centre,
Corner Kwame Nkrumah Avenue, 1st Street,
Harare*

The completed Letter of Allocation must reach the above address by no later than 1600 hours on Friday, 17 July 2020. The application will be considered complete only when the relative payment has been cleared.

3.2 Splitting

Shareholders who wish to accept only a portion of the shares allocated in terms of this Renounceable Rights Offer can do so by subscribing in part for the Renounceable Rights Offer and selling the remaining Letters of Allocation through the ZSE.

A Letter of Allocation may be split into smaller denominations by completing the Letter of Allocation in accordance with the instructions contained therein. Dealing in the Letters of Allocation will end on Thursday, 09 July 2020. The last day of splitting the Letters of Allocation will be Thursday, 09 July 2020 at 1200 hours.

PART D: DETAILS OF THE RENOUNCEABLE RIGHTS OFFER (CONTINUED)

D.3 ALTERNATIVE ACTION TO BE TAKEN BY THE MEMBERS (continued)

3.3 Renunciation

The Letters of Allocation will provide for renunciation of rights in favour of third parties and will contain detailed instruction in respect of renunciation.

D.4 DEMATERIALISATION ON CSD

4.1 Dematerialisation

Shareholders who are on CSD (with uncertificated shares) will receive their Renounceable Letters of Allocation from Tuesday 23 June 2020. These Letters of Allocation are tradable, and shareholders are required to approach their stockbroker should they decide to sell their allotted rights. Trading Edgars Stores Limited shares will not be possible without opening a CSD account via a custodian and dematerialisation of shares when selling.

D.5 PAYMENT PROCEDURES

Payment must be made by cash deposit or bank transfer, for the full amount in respect of the shares for which resident Shareholders make application. For payments made via the RTGS system, acceptance of the Offer will be regarded as complete upon verification, by the Receiving Bank of the RTGS payment confirmation.

Cash deposits or bank transfers should be made to the following ZWL\$ account:

Account Name: EDGARS RIGHTS OFFER PROCEEDS
Bank & Branch: Stanbic Bank Zimbabwe Limited, J M N Nkomo
Account Number: 9140002579005
SWIFT Code: SBICZWHX

D.6 EXCHANGE CONTROL REGULATIONS

Non-resident Shareholders of Edgars are advised to consult their professional advisors or bankers regarding their individual exchange control position in relation to their participation in the Rights Offer described in this Circular to Shareholders.

D.7 DIVIDENDS

Rights Offer Shares will be eligible for participation in any dividends declared by the Directors with effect from date of issue.

D.8 LISTING AND REGISTRATION OF RIGHTS OFFER SHARES

The listing committee of the ZSE has granted a primary listing for, and permission to deal in, all renounceable Letters of Allocation (nil paid) relating to the new Rights Offer Shares, between Tuesday, 23 June 2020 and Friday, 17 July 2020.

Renounceable Letters of Allocation may be negotiated and sold, subject to Exchange Control Regulations, the details of which are provided in paragraphs D3 and D6 of this Circular.

Application has been made for the Rights Offer Shares offered in terms of the Renounceable Rights Offer to be listed on the ZSE from Monday, 24 July 2020.

Persons becoming Shareholders as a result of the Rights Offer will be placed on Edgars's share register. The Transfer Secretaries in respect of the Rights Offer Shares are Corpserve, whose details are set out in the "Corporate Information and Professional Advisors" section at the beginning of this Circular.

PART D: DETAILS OF THE RENOUNCEABLE RIGHTS OFFER (CONTINUED)

D.9 RIGHTS OFFER SHARE CERTIFICATES

New Rights Offer share certificates will be posted as from Friday, 24 July 2020 (at the risk of the Shareholder) to the Shareholder or renouncee's address as recorded on the Letter of Allocation unless written confirmation of any change of address is received on time.

D.10 EXPENSES OF THE RIGHTS OFFER

The expenses of the Rights Offer, amounting to approximately ZWL\$3,690,000 which relate to legal, transfer secretaries, advisory fees, various printing, distribution, regulatory fees and such other charges, will be paid by Edgars out of the proceeds of the Renounceable Rights Offer.

Expense Item	Amount ZWL\$
Underwriting expenses	1,400,000
Reporting Accountant Fees	280,000
Legal Fees	222,500
Transfer Secretaries	250,000
Advisory Fees	1,400,000
Printing and Distribution Fees	75,000
Designing	17,500
Regulatory	45,000
Total Fees	3,690,000

**These are estimated costs and are subject to change*

PART E: REPORTING ACCOUNTANTS REPORT



**Building a better
working world**

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Registered Public Auditors
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Bulawayo

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21 May 2020

DG/NJM/RD

The Directors

Edgars Stores Limited
Corner 9th Avenue/
Herbert Chitepo Street
Bulawayo
Zimbabwe

Dear Sirs,

REPORTING ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF EDGARS STORES LIMITED

(A public company incorporated in the Republic of Zimbabwe under company registration number 379/1948)

1. Introduction

The directors of Edgars Stores Limited ("Edgars") are proposing:

The recapitalisation of Edgars by way of a Renounceable Rights Offer of 274,745,630 (Two hundred and seventy-four million, seven hundred and forty five thousand, six hundred and thirty) ordinary shares of a nominal value of ZWL\$0.01 (1 ZWL Cents) each, at a Rights Offer price of ZWL\$0.2548 (25.48 ZWL Cents) per share, on the basis of 5 (five) new ordinary shares for every 6 (six) ordinary shares in issue as at the Record Date.

The directors are responsible for the preparation of the circular to which this report relates and the information contained therein. This report is prepared in terms of the Listing Requirements of the Zimbabwe Stock Exchange for the purpose of inclusion in the Circular to Shareholders dated 26 May 2020.

2. Responsibility

The directors are solely responsible for the preparation of the unaudited pro forma information to which this independent reporting accountants' report relates. They are also responsible for the preparation of the information from which the unaudited financial information has been prepared. Our responsibility as independent reporting accountants is to form an opinion on the basis used to compile the unaudited pro forma financial information. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed at their dates of issue.

3. Scope

Our work consisted primarily of reviewing the pro forma financial information, considering the evidence supporting the adjustments and discussing the pro forma financial information with directors. We were not involved in the independent examination of the underlying information.

The scope of our work included the following procedures:

- Agreed Edgars' statement of financial position as at 5 January 2020 to the published audited financial statements
- Reviewed the pro forma journals
- Agreed the arithmetic accuracy of the overall sub-totals and totals contained in the pro forma statement of financial position.

PART E: REPORTING ACCOUNTANTS REPORT (CONTINUED)

3. Scope (continued)

Major Assumptions

The pro-forma statement of financial positions has been prepared assuming that:

- The proposed Renounceable Rights Offer of 274,745,630 (Two hundred and seventyfour million, seven hundred and forty five thousand, six hundred and thirty) ordinary shares of a nominal value of ZWL\$0.01 (1 ZWL Cents) each, at a Rights Offer price of ZWL\$0.2548 (25.48 ZWL Cents) per share, on the basis of 6 (six) new ordinary shares for every 5 (five) ordinary shares in issue as at the Record Date takes place.
- the exact accounting effect of the transactions will be shown in the next audited financial statements of Edgars Stores Limited.

From our enquiries of Edgars management, we understand that there have been no material subsequent events arising which have, or that could reasonably be expected to have a material impact on the statement of financial position as at 5 January 2020.

4. Unaudited Pro forma Financial Information

The pro forma financial information has been prepared for illustrative purposes only to provide information demonstrating how the transaction would have impacted on the financial position of Edgars had the Proposed Transaction been undertaken on the 5th of January 2020. Because of its nature, the unaudited pro forma financial information may not give a fair reflection of Edgars' financial position going forward.

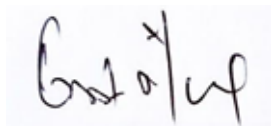
In our opinion the adjustments are appropriate for purposes of the pro forma financial information and consistent with Edgars' accounting policies.

5. Distribution and Assurances

This report is prepared solely for the Directors of Edgars. Any uses that a third party makes of this report, or any reliance or decisions made based on it, are the responsibility of such third parties. We accept no responsibility for loss or damages, if any, suffered by any third party as a result of decisions made or actions taken based on this report.

Because the procedures conducted by us do not constitute either an audit or a review performed in accordance with statements of International Standards on Auditing, we do not express assurance on the fair presentation of the pro forma financial information. Had we conducted additional procedures, or had we performed an audit in accordance with the International Standards on Auditing, other matters might have come to our attention that would have been reported to you.

Yours faithfully,



ERNST & YOUNG
Chartered Accountants (Zimbabwe)
Registered Public Auditor

PART E: REPORTING ACCOUNTANTS REPORT (CONTINUED)

ZWL\$	52 Weeks ended 6-Jan-20 Inflation Adjusted Audited		52 Weeks ended 6-Jan-20 Proforma	
	Note 1	Note 2	Note 3	Note 4
Assets				
Non-current assets				
Property, plant and equipment	110,682,408	-	-	110,682,408
Right of use asset	20,369,062	-	-	20,369,062
Intangible assets	14,409,890	-	-	14,409,890
Total non-current assets	145,461,360	-	-	145,461,360
Current assets				
Inventories	300,834,650	-	-	300,834,650
Trade and other receivables	117,932,121	-	-	117,932,121
Loans and advances to customers	6,455,962	-	-	6,455,962
Income tax receivable	186,714	-	-	186,714
Cash and cash equivalents	8,881,604	70,005,187	(2,622,050)	76,264,741
Total current assets	434,291,051	70,005,187	(2,622,050)	501,674,189
Total assets	579,752,411	70,005,187	(2,622,050)	647,135,549
Equity and liabilities				
Equity				
Issued capital				
share premium	18,321,551	67,257,730	1,540,088	87,119,369
share capital	171,634	2,747,456	62,912	2,982,002
Other reserves	45,445,101	-	-	45,445,101
Retained earnings	231,447,074	-	(3,690,000)	227,757,074
Total capital and reserves	295,385,360	70,005,186	(2,087,000)	363,303,547
Non-current liabilities				
Deferred tax liabilities	69,144,305	-	-	69,144,305
Long term portion of interest bearing loans and borrowings	24,244,255	-	-	24,244,255
Lease liabilities	10,020,155	-	-	10,020,155
Total non-current liabilities	103,408,715	-	-	103,408,716
Current liabilities				
Trade and other payables	128,350,445	-	(535,050)	127,815,395
Dividend payable	370,057	-	-	370,057
Current tax liabilities	4,631,621	-	-	4,631,621
Contract liabilities	638,400	-	-	638,400
Interest bearing loans and borrowings	35,609,703	-	-	35,609,703
Lease liabilities	11,358,110	-	-	11,358,110
Total current liabilities	180,958,336	-	(535,050)	180,423,285
Total liabilities	284,367,051	-	(535,050)	283,832,001
Total equity and liabilities	579,752,411	70,005,186	(2,622,050)	647,135,548

Note 1 Audited consolidated statement of financial position of Edgars as at 05 January 2020, pre-rights issue

Note 2 Being the increase in cash & cash equivalents and increase in share capital and share premium

Note 3 Being the transaction costs as presented in the circular inclusive of underwriting fees and VAT

Note 4 Underwriter fees payable in shares and not cash

Note 5 Unaudited proforma consolidated statement of financial position of Edgars as at 05 January 2020, post-rights issue

PART E: REPORTING ACCOUNTANTS REPORT (CONTINUED)



Ernst & Young
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21 May 2020

DG/NJM/RD

The Directors
Edgars Stores Limited
Corner 9th Avenue/
Herbert Chitepo Street
Bulawayo

Dear Sirs,

REPORTING ACCOUNTANTS' REPORT ON THE HISTORICAL FINANCIAL INFORMATION OF EDGARS STORES LIMITED ("EDGARS" OR "THE COMPANY")

(A public company incorporated in the Republic of Zimbabwe under company registration number 379/1948)

1. Introduction

The directors of Edgars Stores Limited ("Edgars" or "the Group") are proposing:

the recapitalisation of Edgars by way of a Renounceable Rights Offer of 274,745,630 (Two hundred and seventy-four million, seven hundred and forty five thousand, six hundred and thirty) ordinary shares of a nominal value of ZWL\$0.01 (1 ZWL Cents) each, at a Rights Offer price of ZWL\$0.2548 (25.48 ZWL Cents) per share, on the basis of 5 (five) new ordinary shares for every 6 (six) ordinary shares in issue as at the Record Date.

The directors are responsible for the preparation of the circular to which this report relates and the information contained therein. This report is prepared in terms of the Listing Requirements of the Zimbabwe Stock Exchange for the purpose of inclusion in the Circular to Shareholders dated 26 May 2020.

2. Scope of audited annual financial statements

We audited the historical financial information for the years ended 9 January 2016 to 8 January 2018 and the inflation adjusted financial information for the years ended 6 January 2019 and 5 January 2020 for Edgars.

We conducted our audits and in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform that audit to obtain reasonable assurance whether the historical financial information relating to the financial years ended 9 January 2016 to 5 January 2020 are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

PART E: REPORTING ACCOUNTANTS REPORT (CONTINUED)

3. Prior year audited financial statements

We are the auditors of Edgars and have reported on its annual financial statements for the years ended: 9 January 2016, 8 January 2017, 7 January 2018, 6 January 2019 and 5 January 2020. Our audit reports for the financial periods ended 9 January 2016, 8 January 2017 and 7 January 2018 were issued without qualification. Our audit reports for the financial periods ended 6 January 2019 and 5 January 2020 were issued with adverse audit opinions.

We draw attention to certain pertinent issues that resulted in Edgars receiving adverse audit opinions to the financial statements for the years ended 6 January 2019 and 5 January 2020. The adverse opinion for the year ended 6 January 2019 related to non-compliance with International Financial Reporting Standards: International Accounting Standard (IAS) 21- The Effects of Changes in Foreign Exchange Rates, and inappropriate application of IAS 8- Accounting Policies, Changes in Accounting Estimates and Errors and the Conceptual Framework for financial reporting. The non-compliance related to disagreements with management on the functional currency and the exchange rates applied. The 2020 adverse audit opinion was on the basis of the continuing effects of the prior year matters, current year exchange rates and application of IAS 29- Financial Reporting in Hyperinflationary Economies to incorrect base amounts. A detailed outline of the basis for adverse opinions is given in the Annual Reports which are included as part of the documents available for inspection in accordance with section B.21 of the Circular.

4. Scope

As the purpose of the appended financial information differs from the purpose of the financial statements prepared for members, the appended financial information is not intended to comply with the full presentation and disclosure requirements of the Companies Act (Chapter 24:31) and International Financial Reporting Standards. Our reporting shall not in any way constitute recommendations regarding the completion of the Transactions or the issue of the Circular to the Shareholders.

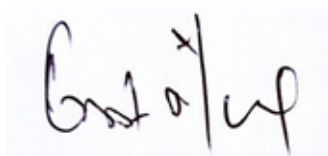
5. Exclusion of Notes and Accounting Policies

At the request of the Company, and with the approval of the ZSE, the notes to the financial statements, and the accounting policies have been excluded from the Circular but are available in the Annual Reports as set as out in section B.21 of the Circular.

6. Distribution and Assurances

This report is prepared solely for the Directors of Edgars. Any uses that a third party makes of this report, or any reliance or decisions made based on it, are the responsibility of such third parties. We accept no responsibility for loss or damages, if any, suffered by any third party as a result of decisions made or actions taken based on this report.

Yours faithfully,



ERNST & YOUNG
CHARTERED ACCOUNTANTS (ZIMBABWE)
REGISTERED PUBLIC AUDITORS

PART E: REPORTING ACCOUNTANTS REPORT (CONTINUED)

EDGARS STORES LIMITED INCOME STATEMENT

	52 Weeks ended 4 Jan 16	52 Weeks ended 9 Jan 17	52 Weeks ended 8 Jan 18	52 Weeks ended 7 Jan 19	52 Weeks ended 6 Jan 20 Inflation adjusted
	Audited ZWL\$	Audited ZWL\$	Audited ZWL\$	Audited ZWL\$	Audited ZWL\$
Turnover	63,902,246	52,123,970	64,106,544	629,048,829	595,242,865
Sale of merchandise	62,272,355	50,329,626	62,882,028	608,435,784	580,048,606
COGS	(33,603,198)	(28,767,402)	(35,952,145)	(417,287,899)	(366,162,282)
Gross profit	28,669,157	21,562,224	26,929,883	191,147,885	213,886,324
Microfinance revenue			91,853	12,808,924	12,436,004
Other gains and losses	(69,314)	(137,292)	(116,885)	258,056	4,965,246
Credit management and debt collection costs	(6,104,432)	(5,530,155)	(2,513,224)	(22,257,471)	(16,924,655)
Store expenses	(12,620,890)	(11,913,954)	(11,472,573)	(101,602,746)	(90,836,658)
Other operating costs ex depreciation	(10,364,816)	(10,552,804)	(11,830,648)	(111,690,575)	(94,132,104)
EBITDA	(490,295)	(6,571,981)	1,088,406	(31,335,927)	29,394,157
Depreciation	(1,213,094)	(1,658,897)	(1,820,029)	(9,201,771)	(20,213,824)
Operating profit	(1,703,389)	(8,230,878)	(731,623)	(40,537,698)	9,180,333
Finance income	10,511,127	10,264,287	7,699,950	54,642,610	45,169,383
Finance costs paid	(2,735,219)	(1,682,346)	(1,088,513)	(6,516,541)	(12,853,164)
Net financing charges	7,775,908	8,581,941	6,611,437	48,126,069	32,316,219
Net monetary gain	-	-	-	140,253,110	(19,747,387)
Profit Before Tax	6,072,519	351,063	5,879,814	147,841,481	21,749,165
Taxation	(2,108,486)	197,100	(1,901,015)	(55,973,859)	(3,859,732)
Net income	3,964,033	548,163	3,978,799	91,867,622	17,889,433

PART E: REPORTING ACCOUNTANTS REPORT (CONTINUED)

EDGARS STORES LIMITED BALANCE SHEET

	52 Weeks ended 4 Jan 16	52 Weeks ended 9 Jan 17	52 Weeks ended 8 Jan 18	52 Weeks ended 7 Jan 19	52 Weeks ended 6 Jan 20 Inflation adjusted
	Audited ZWL\$	Audited ZWL\$	Audited ZWL\$	Audited ZWL\$	Audited ZWL\$
PPE	9,519,089	7,171,869	7,199,567	95,807,843	110,682,408
Deferred tax assets	-	-	-	158,176	-
Intangible assets	26,667	2,581,375	1,959,254	11,705,612	14,409,890
Right of use asset	-	-	-	-	20,369,062
Non current assets	9,545,756	9,753,244	9,158,821	107,671,631	145,461,360
Inventories	12,802,184	11,517,123	14,144,671	122,000,727	300,834,650
Trade and other receivables	32,344,417	24,808,996	24,335,518	158,755,227	117,932,121
Assets classified as held for sale	-	-	-	-	-
Bank balances and cash	534,045	1,743,244	2,296,428	41,132,643	8,881,604
Other assets	-	-	656,945	26,794,217	6,642,676
Current assets	45,680,646	38,069,363	41,433,562	348,682,814	434,291,051
Total assets	55,226,402	47,822,607	50,592,383	456,354,445	579,752,411
Issued capital	378,089	391,339	405,690	3,569,958	18,493,185
Shareholders equity	2,603,903	2,631,783	2,649,885	24,991,864	45,445,101
Retained Earnings	23,635,942	23,197,599	27,339,053	220,523,945	231,447,074
Shareholders' equity	26,617,934	26,220,721	30,394,628	249,085,767	295,385,360
Long-term borrowings	6,859,007	321,923	2,289,011	22,694,348	24,244,255
Finance lease liability	-	-	-	-	10,020,155
Deferred taxation	3,845,922	2,481,496	3,143,972	76,523,882	69,144,305
Non-current liabilities	10,704,929	2,803,419	5,432,983	99,218,230	103,408,715
Short-term borrowings	11,165,934	10,933,171	2,376,020	28,906,450	35,609,703
Trade payables	5,879,633	6,368,758	11,219,360	70,442,544	128,350,445
Dividend payable	-	-	-	4,121,579	4,631,621
Contract liabilities	-	197,448	278,358	2,190,339	370,057
current tax liabilities	857,972	1,299,090	891,034	2,389,536	638,400
Lease liabilities	-	-	-	-	11,358,110
Current liabilities	17,903,539	18,798,467	14,764,772	108,050,448	180,958,336
Total equity and liabilities	55,226,402	47,822,607	50,592,383	456,354,445	579,752,411

PART E: REPORTING ACCOUNTANTS REPORT (CONTINUED)

EDGARS STORES LIMITED CASHFLOW STATEMENT

	52 Weeks ended 4 Jan 16	52 Weeks ended 9 Jan 17	52 Weeks ended 8 Jan 18	52 Weeks ended 7 Jan 19	52 Weeks ended 6 Jan 20 Inflation adjusted
	Audited ZWL\$	Audited ZWL\$	Audited ZWL\$	Audited ZWL\$	Audited ZWL\$
PBT	6,072,519	351,063	5,879,814	147,841,481	21,749,165
D&A	1,213,094	1,658,897	1,820,029	(9,201,771)	(20,213,824)
Change in WC	(3,998,318)	7,596,912	1,732,760	8,741,197	(72,103,283)
Tax Paid	(1,793,382)	(1,491,627)	(1,703,004)	(16,090,390)	(24,516,803)
Other operating cash flow	2,608,865	2,110,310	586,739	(116,183,919)	7,605,203
Operating cash flow	4,102,778	10,225,555	8,316,338	15,106,598	(87,479,542)
Capex	(2,125,988)	(2,117,629)	(1,187,441)	(19,500,622)	(6,849,599)
Interest Received	-	-	-	-	-
Other investing cash flow	-	-	-	1,478,333	-
Investing cash flow	(2,125,988)	(2,117,629)	(1,187,441)	(18,022,289)	(6,849,599)
Free Cash Flow	1,976,790	8,107,926	7,128,897	(2,915,691)	(94,329,141)
Dividends	-	-	-	(5,455,832)	(1,425,601)
Debt Issued	13,629,661	1,500,000	4,500,000	48,226,165	122,370,708
Debt repaid	(15,946,754)	(8,411,977)	(11,090,067)	(18,663,660)	(64,817,696)
Equity issued	25,617	13,250	14,352	-	1,611,632
Payment of principal portion of lease liabilities	-	-	-	-	(6,528,402)
Financing cash flow	(2,291,476)	(6,898,727)	(6,575,715)	24,106,673	51,210,641
Change in Cash Flow	(314,686)	1,209,200	553,183	21,190,982	(43,388,500)
Cash Beginning of Period	848,731	534,045	1,743,245	19,281,723	40,472,705
Cash balance from Carousel	-	-	-	-	-
Cash End of Period	534,045	1,743,245	2,296,428	40,472,705	(2,915,795)

PART F: ANNEXURES

F.1 ANNEXURE (I): TABLE OF ENTITLEMENTS

The following table sets out the number of Edgars ordinary shares to which Edgars shareholders are entitled in terms of the Renounceable Rights Offer

Number of ordinary shares held	Entitlement of five new shares for every six shares held	Value of entitlement at ZWL\$0.2548
100	184	21
200	368	43
300	552	64
400	736	86
500	920	107
600	1,104	128
700	1,288	150
800	1,472	171
900	1,656	193
1,000	1,840	214
2,000	3,680	428
3,000	5,521	642
4,000	7,361	856
5,000	9,201	1,070
6,000	11,041	1,284
7,000	12,882	1,498
8,000	14,722	1,712
9,000	16,562	1,926
10,000	18,402	2,140
15,000	27,603	3,210
20,000	36,804	4,280
100,000	184,022	21,401
250,000	460,056	53,502
500,000	920,112	107,004
1,000,000	1,840,223	214,008
5,000,000	9,201,117	1,070,039
10,000,000	18,402,234	2,140,077
12,000,000	22,082,681	2,568,093
50,000,000	92,011,170	10,700,386
55,000,000	101,212,287	11,770,425
60,000,000	110,413,404	12,840,464
65,000,000	119,614,521	13,910,502
100,000,000	184,022,340	21,400,773

PART F: ANNEXURES (CONTINUED)

F.2 ANNEXURE (II) SHARE PRICE PERFORMANCE

The table below provides statistical information on the market price and volumes traded of Edgars shares for each trading day since 25 February 2020 to 21 May 2020.

Date	Price (ZWL\$)	Volume	Date	Price (ZWL\$)	Volume	Date	Price (ZWL\$)	Volume
25.02.2020	0.49	1,771,000	24.03.20	0.39	400	23.04.2020	0.38	27,600
26.02.2020	0.48	3,092,000	25.03.20	0.34	10,000	24.04.2020	0.38	-
27.02.2020	0.48	-	26.03.20	0.31	10,600	27.04.2020	0.38	-
28.02.2020	0.48	-	27.03.20	0.29	10,000	28.04.2020	0.38	-
02.03.2020	0.48	-	30.03.20	0.25	5,000	29.04.2020	0.38	-
03.03.2020	0.48	56,300	31.03.20	0.20	25,000	30.04.2020	0.38	-
04.03.2020	0.50	800	01.04.20	0.20	-	04.05.2020	0.40	3,700
05.03.2020	0.50	-	02.04.20	0.24	25,000	05.05.2020	0.40	1,400
06.03.2020	0.50	-	03.04.20	0.24	-	06.05.2020	0.32	297,100
09.03.2020	0.50	9,800	06.04.20	0.24	-	07.05.2020	0.32	-
10.03.2020	0.48	1,000	07.04.20	0.29	25,000	08.05.2020	0.32	-
11.03.2020	0.50	299,300	08.04.20	0.25	8,009,900	11.05.2020	0.32	-
12.03.2020	0.50	-	09.04.20	0.26	43,900	12.05.2020	0.38	2,000
13.03.2020	0.50	-	14.04.20	0.26	4,900	13.05.2020	0.44	53,900
16.03.2020	0.50	4,300	15.04.20	0.30	2,400	14.05.2020	0.53	200
17.03.2020	0.50	85,700	16.04.20	0.30	-	15.05.2020	0.64	1,200
18.03.2020	0.43	2,600	17.04.20	0.27	43,700	18.05.2020	0.64	-
19.03.2020	0.43	-	20.04.20	0.27	-	19.05.2020	0.64	-
20.03.2020	0.38	2,800	21.04.20	0.32	25,000	20.05.2020	0.75	52,100
23.03.2020	0.39	72,600	22.04.20	0.32	-	21.05.2020	0.76	23,500

F.3 ANNEXURE (III) DETAILS OF THE UNDERWRITER

UNDERWRITING DETAILS	
Name	ANNUNAKI INVESTMENTS (PVT) LIMITED
Registered Address	1 ST Floor SAZ Building, Northridge Park, Borrowdale Harare
Date of incorporation	2013
Registration Number	7604/2013
Directors	Matthew Hosack, Tatenda Bonyongwa

PART F: ANNEXURES (CONTINUED)

F.4 ANNEXURE (IV): NOTICE OF EXTRAORDINARY GENERAL MEETING ("EGM")

NOTICE OF EXTRAORDINARY GENERAL MEETING ("EGM")

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting ("EGM") of the Members of Edgars Stores Limited ("Edgars " or "the Company") will be held at LAPF 1st Floor, Corner 8th Avenue and Jason Moyo Street in Bulawayo on Tuesday, 16 June at 1200 hours for the purpose of transacting the following business and consider and if deemed fit, to pass with or without amendment, the following resolutions. Shareholders are advised in light of the current regulations which prohibit gatherings in excess of 50 people and promote social distancing on account of the COVID-19 pandemic ("the Company") will endeavour to facilitate a virtual meeting the modalities of which will be communicated to shareholders in due course.

SPECIAL BUSINESS

1. As a Special Resolution – Redenomination of share capital to ZWL\$

That, subject to the approval of the Chief Registrar of Companies and Other Business Entities, the authorized share capital of the Company be redenominated from US\$4 000 000 comprising 400 000 000 ordinary shares of a nominal value of US\$0.01 (one US cent) each, to ZWL4 000 000 comprising 400 000 000 ordinary shares of a nominal value of ZWL0.01 (one Zimbabwe cent) each

2. As a Special Resolution - Increase in the authorised share capital of the Company

"That, subject to the approval of the Chief Registrar of Companies and Other Business Entities, the authorised share capital of the Company be increased from ZWL\$4,000,000 comprising of 400,000,000 ordinary shares of a nominal value ZWL\$0.01 (one Zimbabwe cent) each, to ZWL\$7,000,000 comprising of 700,000,000 ordinary shares of a nominal value ZWL\$0.01 (one Zimbabwe cent) each."

3. As an Ordinary Resolution – Approval for capital raising by way of a Renounceable Rights Offer

"That the Directors be and are hereby authorised to raise ZWL\$70,000,000 (Seventy Million Zimbabwe Dollars) by way of a Renounceable Rights Offer to all shareholders, pro rata to their existing shareholding, being the offer of 274,745,630 (two hundred and seventy four million, seven hundred and forty five thousand, six hundred and thirty) new ordinary shares of a nominal value of ZWL0.01 (one Zimbabwe cent) each, at a Rights Offer subscription price of ZWL\$0.2548 (ZWL\$25.48cents) per share, on the basis of five (5) new ordinary shares for every six (6) ordinary shares held."

4. As an ordinary resolution – Approval for the Underwriter's fees to be payable in shares

"That the shareholders waive their rights of pre-emption and the Underwriter may at its discretion exercise an option to receive payment of its fees by way of issue of shares at the rights offer price."

5. As an Ordinary Resolution – To place unissued shares under the control of Directors

"That, the balance of the authorised but unissued ordinary shares of the Company, be placed under the control of the Directors for an indefinite period, to be issued in compliance with the terms of the Memorandum and Articles of the Company and the Zimbabwe Stock Exchange listing requirements, provided that no issue will be made which would effectively transfer the control of the Company without the prior approval of the Shareholders in a general meeting."

By order of the Board

Vuyo K. Nxumalo
COMPANY SECRETARY

REGISTERED OFFICE
Edgars Head Office,
Cnr 9th Avenue and Herbert Chitepo Street
Bulawayo.

Notes:

1. Voting eligibility

a) On a show of hands, every Shareholder who (being an individual) is present in person or by proxy at the EGM or which (being a company or body corporate) is represented thereat by a representative appointed as proxy, shall have one vote (irrespective of the number of shares held), and on a poll, every Shareholder who (being an individual) is present in person or by proxy at the general meeting or which (being a company or body corporate) is represented by proxy at the general meeting, shall have one vote for every Edgars Stores Limited share of which it is the holder.

2. Appointment of Proxies

- b) In terms of Section 171 of the Companies and Other Business Entities Act (Chapter 24:31), members entitled to attend the above meeting may appoint one or more proxies, to act in the alternative, to attend, speak and vote on their behalf, including voting on a poll. A proxy need not be a member of the Company.
- c) Shareholders in the form of a corporate body must provide documentary evidence establishing the authority of a person signing the Form of Proxy in a representative capacity, unless previously recorded by the Company's transfer secretaries or waived by the chairperson of the EGM. This authority must take the form of a resolution of the corporate body.
- d) Completion of a form of proxy does not preclude a person from subsequently attending the EGM and voting in person.
- e) Waiver of Pre-emptive rights.
- f) In terms of clause 10.79 (a) of the Tenth Schedule to SI 134 of 2019 of ZSE Listing Requirements, resolutions 3, 4 and 5 will be subject to an 75% (seventy-five per centum) majority of votes cast in favour of the resolution by Shareholders present or represented by proxy.

Directors: T. N. Sibanda (Chairman), L. Masterson (CEO), B. Mpofu (CFO), C. F. Dube,
Dr. L. L. Tsumba, R. Mlotshwa, V. Mpofu, T. N. Ndlovu, M. Hosack.

PART F: ANNEXURES (CONTINUED)

F.5 ANNEXURE (V) PROXY FORM FOR THE EXTRAORDINARY GENERAL MEETING



EDGARS STORES
LIMITED

(Incorporated in Zimbabwe in 1948 under registration number 379/1948)

I / We

Of

Being member/members of the above Company, hereby appoint:

Mr. / Mrs. / Ms. / Dr

Or failing him

Of

as my/our proxy to vote for me/us on my/our behalf at the Extraordinary General Meeting of the Company to be held on Tuesday, 16 June at 1200 hours and any adjournment thereof, for the purpose of considering and, if deemed fit passing, with or without modification, the resolutions to be proposed thereat in accordance with the following instructions.

Resolutions	For	Against	Abstain
<p>Special Resolution 1 – Redenomination of share capital to ZWL\$ “That, subject to the approval of the Chief Registrar of Companies and Other Business Entities, the authorized share capital of the Company be redenominated from US\$4 000 000 comprising 400 000 000 ordinary shares of a nominal value of US\$0.01 (one US cent) each, to ZWL4 000 000 comprising 400 000 000 ordinary shares of a nominal value of ZWL0.01 (one Zimbabwe cent) each.”</p>			
<p>Special Resolution 2 - Increase in the authorised share capital of the Company “That, subject to the approval of the Chief Registrar of Companies and Other Business Entities, the authorised share capital of the Company be increased from ZWL\$4,000,000 comprising of 400,000,000 ordinary shares of a nominal value ZWL\$0.01 (one Zimbabwe cent) each, to ZWL\$7,000,000 comprising of 700,000,000 ordinary shares of a nominal value ZWL\$0.01 (one Zimbabwe cent) each.”</p>			
<p>Ordinary Resolution 1 – Approval for capital raising by way of a Renounceable Rights Offer “That the Directors be and are hereby authorised to raise ZWL\$70,000,000 (Seventy Million Zimbabwe Dollars) by way of a Renounceable Rights Offer to all shareholders, pro rata to their existing shareholding, being the offer of 274,745,630 (two hundred and seventy four million, seven hundred and forty five thousand, six hundred and thirty) new ordinary shares of a nominal value of ZWL0.01 (one Zimbabwe cent) each, at a Rights Offer subscription price of ZWL\$0.2548 (ZWL\$25.48cents) per share, on the basis of five (5) new ordinary shares for every six (6) ordinary shares held ”</p>			
<p>Ordinary resolution 2 – Approval for the Underwriter’s fees to be payable in shares “That the shareholders waive their rights of pre-emption and the Underwriter may at its discretion exercise an option to receive payment of its fees by way of issue of shares at the rights offer price.”</p>			
<p>Ordinary Resolution 3 – To place unissued shares under the control of Directors “That, the balance of the authorised but unissued ordinary shares of the Company, be placed under the control of the Directors for an indefinite period, to be issued in compliance with the terms of the Memorandum and Articles of the Company and the Zimbabwe Stock Exchange listing requirements, provided that no issue will be made which would effectively transfer the control of the Company without the prior approval of the Shareholders in a general meeting.”</p>			

Signature Signed this of 2020

Note

1. A member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and speak in his stead. The person appointed need not be a member.
2. Proxy forms should be lodged at the registered office of the Company by no later than 48 hours before the time of holding the meeting.
3. Any alterations or corrections made to this form of proxy (including the deletion of alternatives) must be initialed by the signatory/signatories.
4. Shareholders are requested to submit key questions in writing at least five days before the date of the meeting to enable comprehensive answers to be prepared. This will not preclude them from raising questions from the floor.
5. If two or more proxies attend the meeting then that person attending the meeting whose name appears first on the proxy form and whose name is not deleted, shall be regarded as the validly appointed proxy.
6. When there are joint holders of shares, any one holder may sign the form of proxy. In the case of joint holders, the senior who tenders a vote will be accepted to the exclusion of other joint holders. Seniority will be determined by the order in which names stand in the register of members.
7. The completion and lodging of this form of proxy will not preclude the member who grants this proxy form from attending the EGM and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof should such member wish to do so.
10. Please be advised that the number of votes a member is entitled to is determined by the number of shares recorded on the share register on the Record Date.

Physical and Postal Delivery

Edgars Stores Limited
 Edgars Head Office
 Corner 9th Avenue and Herbert Chitepo Street
 Bulawayo
 Zimbabwe

LETTER OF ALLOCATION



EDGARS STORES LIMITED

(Incorporated in Zimbabwe in 1948 under registration number 379/1948)

RENOUNCEABLE LETTER OF ALLOCATION (LA): This document is valuable and may be traded on the Zimbabwe Stock Exchange. Please read the instructions and notes contained in this letter of entitlement in conjunction with the Rights Offer document to which it relates. If you are in any doubt as to the action to be taken, you should contact your stockbroker, bank manager or other professional advisor.

TO TAKE UP YOUR RIGHTS; Please complete and return this form in terms of instructions (3) overleaf

A. Letter of Election number:	
B. Name and address of Edgars Limited holder:	
Number of fully paid Edgars Limited registered in your name at the close of business on Friday, 19 June 2020:	
D. Number of Edgars shares which can be subscribed for at ZWL\$0.2548 per share	
E. Amount payable on the above number of Edgars shares offered in terms of the rights offer:	

G. ACCEPTANCE

If you wish to subscribe for these new Edgars shares which have been offered to you, simply return this letter of allocation to Corpserve Registrars (Private) Limited, 2nd Floor, ZB Centre, Corner First Street and Kwame Nkrumah, P O Box 2208, Harare, or to Edgars Stores Limited Corner 9th Avenue/Herbert Chitepo Street, Bulawayo together with your bank-stamped RTGS form or cash deposit slip as proof of payment in favour of "Edgars Rights Offer" by no later than 1600 hours on Friday 17 July 2020. The bank details for RTGS Payments including cash payments are: Bank: Stanbic Bank LIMITED; Account Name: EDGARS RIGHTS OFFER PROCEEDS; Account No. 9140002579005. Branch: J M N Nkomo. .

H. FORM OF RENUNCIATION/SPLITTING

(To be completed by the shareholder named above if the right to subscribe for Rights Offer Shares is to be renounced or if this letter is to be split)

TO: The Directors
Edgars Stores Limited

I/We, the Shareholder(s) named above, hereby renounce my/ our right to subscribe for the Rights Offer Shares allocated to me/us stated above in favour of the person(s) signing the registration application form (Section I) in relation to such Rights Offer Shares.

Signature _____ Date _____

I/We, the Edgars shareholder(s) named above hereby request you to split my Letter of Allocation for the Edgars shares allocated to me/us stated above as follows:

1.
2.
3.

Signature(s): _____ Date: _____

I. REGISTRATION APPLICATION FORM

(To be completed by person(s) or his/her/their agent to whom the right has been renounced).

PLEASE PRINT

Surname/Name of Company and Physical Address		BROKER'S STAMP
First names in (full, if applicable)		
Title (Mr, Mrs, Miss, Ms, etc.)		

Signature _____ Date _____
I/we, the person(s) named above, hereby confirm that I/we have the legal capacity to contract and request you to allot the shares covered by this Letter of Allocation in my/our name(s). I/we authorise you to place my/our name(s) on the register of members of the company in respect of the shares so allocated, subject to the conditions set out overleaf and, in the Memorandum, and Articles of Association of the company.

SIGNATURE (S) _____

DATE _____

Directors: T. N. Sibanda (Chairman), C. F. Dube, Dr. L. L. Tumba, R. Mlotshwa, L. Masterson (CEO),
B. Mpfu (CFO), V. Mpfu, T. N. Ndlovu, M. Hosack

LETTER OF ALLOCATION

RENOUCEABLE LETTER OF ALLOCATION

1. TERMS OF THE RIGHTS OFFER

274,745,630, Ordinary Shares in the issued share capital of Edgars Stores Limited are hereby offered to Edgars Stores Limited shareholders, registered as such on the close of business on 19 June 2020, being the Record Date, for subscription in cash at a price of ZWL\$0.2548 per Share, payable in full on acceptance, at a ratio of 5 Rights Offer Shares for every 6 Edgars Store Limited Share currently held.

This renounceable Letter of Allocation sets out the entitlement of the person to whom this Document is addressed.

2. TIME AND DATE OF OPENING AND CLOSING OF RIGHTS OFFER

The Rights Offer will open at 09.00 a.m. on Tuesday 23 June 2020 and close at 1600pm on Friday 17 July 2020.

The last day for splitting Letters of Allocation will be 09 July 2020.

3. COURSES OF ACTION

Set out below are the options available to Edgars Stores Limited shareholders with respect to their rights in terms of the Rights Offer:

3.1 Acceptance – SUBSCRIBE for all the Rights Offer Shares

The Shareholder who receives a renounceable Letter of Allocation and wishes to take up their rights in terms of the Rights Offer, is required to complete the renounceable Letter of Allocation in accordance with the instructions contained therein and forward it clearly marked – “Edgars Stores Limited Rights offer”, together with proof of payment in accordance with paragraph 4 of this section to the following address:

Corpserve (Private) Limited, 2nd Floor ZB Centre, Corner Kwame Nkrumah Avenue/ 1st Street Harare, or to Edgars Stores Limited, Corner 9th Avenue/Herbert Chitepo Street, Bulawayo

The completed Letter of Allocation and proof of payment must reach the above address no later than 16.00pm on Friday 17 July 2020.

3.2 Splitting

A shareholder who wants to take up some but not all of his rights should first apply to have the Letter of Allocation split by completing section H on the Letter of Allocation, and returning it by hand only (during normal business hours) to Corpserve (Private) Limited, 2nd Floor ZB Centre, Corner Kwame Nkrumah Avenue / 1st Street, Harare, to be received by 1200 hours on or before 09 July 2020. The shareholder should then deliver the split Letters of Allocation representing the Rights Offer Shares he/she wishes to accept together with a copy of the electronic payment instruction or draft in favour of “Edgars Stores Limited Rights Offer”, to the addresses shown in clause 3.1 above, to be received by 4.00pm, 09 July 2020, being the closing time and date of the rights offer.

3.3 Renunciation – ELECT not to follow rights

The right to subscribe for the Rights Offer Shares in Edgars Stores Limited, as detailed in this Document, to be renounced (nil paid) in favour of some other person is executed by completing the Letter of Allocation in accordance with the instructions contained therein. The duly completed Letter of Allocation with proof of payment from the person in whose favour the renunciation has been made should be forwarded clearly marked to Corpserve (Private) Limited, 2nd Floor ZB Centre, Corner Kwame Nkrumah Avenue/ 1st Street Harare, to be received by 16.00pm on 17 July 2020, the closing date of the Rights Offer.

In the event that the Company does not receive a duly completed Letter of Allocation from a Shareholder by Friday 17 July 2020, it will be presumed that the particular Shareholder has waived his rights.

4. PAYMENT

The amount due on acceptance is payable in the currency of ZWL dollars by RTGS or bank draft (crossed “not negotiable”) in respect of subscriptions and should be made payable to “Edgars Stores Limited Rights offer”

Account details are as follows:

Account Name: EDGARS RIGHTS OFFER PROCEEDS **Bank Name:** Stanbic Bank Zimbabwe Limited **Branch:** J M N Nkomo **Account Number:** 9140002579005
we have to open a separate account controlled by Corpserve to allow for reconciliations.

Copies of the RTGS instruction, and/or bank drafts and the completed Letters of Allocation should be lodged at the addresses shown in clause 3.1 above. All bank drafts received will be deposited immediately.

Applications will be regarded as complete and valid only when their bank drafts have been cleared.

5. EXCHANGE CONTROL

Letters of Allocation sent to Shareholders whose registered address is outside Zimbabwe, will be endorsed “Non-Resident” as required in terms of the Exchange Control Regulations. Notwithstanding the submission to RBZ of an application for exchange control authority for non-resident shareholders to follow their rights, non-resident shareholders are encouraged to seek authority through their respective authorised dealers.

6. FRACTIONS OF RIGHTS OFFER SHARES

Subject to shareholder approval, the Rights Offer shares representing the collective fractional entitlements of shareholders will be rounded to the nearest whole number and no fractional shares shall be offered to shareholders for subscription.

7. LISTING AND REGISTRATION OF RIGHTS OFFER SHARES

Edgars Stores Limited is presently listed on the stock exchange and all shares being offered for subscription will be listed, with the holders thereof being entered into the register of members.

8. DIVIDENDS

No dividend was declared for the year ended 31 December 2019 due to the need to preserve internal resources to fund the group’s growth strategy.

RIGHTS OFFER SHARE CERTIFICATES

The share certificates in respect of the Rights Offer will be distributed to shareholders within seven (7) days from the date of closure of the rights offer. Shareholders with CSD accounts will have their entitlements credited to the respective CSD accounts

EXPENSES OF THE RIGHTS OFFER

The expenses of the Rights Offer that relate to advisory and regulatory charges will be paid from the proceeds of the Rights Offer.

DOCUMENTS

Edgars Stores Limited reserves the right to call for documentary or other evidence they may require in support of the acceptance.

SIGNATURE

All alterations to sections C and D must be authenticated by a full signature. Joint applications must be signed by all the applicants.

13. REGISTERED ADDRESS

Share certificates will be posted at the risk of the shareholder within seven (7) days from the date of closure of the rights offer to the shareholder’s or renounce’s address as recorded overleaf, unless specific instructions to the contrary in writing and signed by the person(s) concerned.

BY ORDER OF THE BOARD

COMPANY SECRETARY

